

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF HENDERSON UNION ELECTRIC)	
COOPERATIVE CORPORATION FOR AUTHORITY)	
TO CONVERT NATIONAL RURAL UTILITIES)	CASE NO.
FINANCE CORPORATION LOANS 9005, 9008,)	93-363
AND 9016 FROM A VARIABLE INTEREST RATE)	
TO A FIXED INTEREST RATE)	

O R D E R

On September 29, 1993, Henderson Union Electric Cooperative Corporation ("Henderson Union") filed an application with the Commission requesting the authority to convert National Rural Utilities Cooperative Finance Corporation ("CFC") Loan Nos. 9005, 9008, and 9016 from a variable interest rate to a 7-year fixed interest rate. CFC has accepted Henderson Union's request for conversion subject to the Commission's approval, with a fixed interest rate of 6.75 percent. The last variable interest rate in effect for the three loans was 4.5 percent. Henderson Union stated that these loans represented approximately 50 percent of the total long-term debt owed to CFC and that the conversion would leave approximately 14 percent of the total long-term debt at the variable rate. Henderson Union stated that it believed the loan conversions were a reasonable and prudent move to stabilize its long-term interest expense at a time when CFC interest rates were at an all-time low.

The Commission has reviewed the interest rates available on CFC loans and believes that the conversion proposed by Henderson-

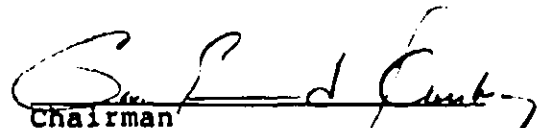
Union is a reasonable action to take at this time. The availability of a fixed 6.75 percent interest rate over the next seven years should be beneficial to Henderson-Union and its ratepayers.

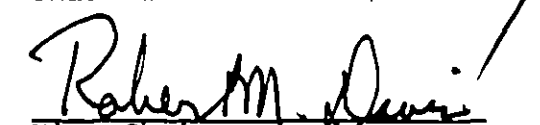
Based on the evidence of record and being advised, the Commission hereby finds that the conversion of Loan Nos. 9005, 9008, and 9016 from a variable to a fixed interest rate should be approved.

IT IS THEREFORE ORDERED that Henderson-Union's request to convert CFC Loan Nos. 9005, 9008, and 9016 from the variable interest rate to a 7-year fixed interest rate be and it hereby is granted.

Done at Frankfort, Kentucky, this 23rd day of November, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

DISSENTING OPINION OF COMMISSIONER LINDA K. BREATHITT

I hereby dissent from the majority decision in this case. The record reflects in this proceeding that after July 30, 1993 the interest rate on CFC 7-year fixed rate financing dropped significantly from the 6.75 percent rate obtained by Henderson-Union. Recent information obtained from CFC indicated that the rate has increased to 6.625 percent for the period November 16-30,

1993 which is still .125 percent below the rate Henderson-Union is seeking approval of in this case. As the record reflects, this Commission must approve the proposed financing or the \$2.5 million in outstanding loans will revert to the previous terms and conditions. This action would leave the \$2.5 million in financing at the variable interest rate which would result in savings over this interim period in excess of \$15,000. Furthermore, if the Commission denies Henderson-Union's application, Henderson-Union would have the opportunity to petition its board and contact CFC prior to November 30, 1993 and lock in this financing at the current 6.625 percent long-term rate for a seven year period which would result in additional savings. Moreover, Henderson-Union could elect to remain on the variable interest rate program or obtain a 3 or 5 year fixed rate which would save additional interest costs at least in the short run. In approving the proposed financing the majority is foregoing an opportunity to allow Henderson-Union to reduce its interest costs on long-term debt. For these reasons, I believe the utility and its consumers' interests would best be served by the Commission's denial of this application.


Linda K. Breathitt
Commissioner

ATTEST:


Executive Director